

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EB-07 EA-07 FRB-03 INR-07 IO-11 NSAE-00 OPIC-03 SP-02

TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01 ERDA-05 DODE-00

FEAE-00 FPC-01 H-02 INT-05 L-03 NSC-05 PM-04 USIA-06

SAM-01 OES-03 SS-15 STR-04 AGR-05 /135 W

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FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 5499

INFO AMEMBASSY PARIS

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C O N F I D E N T I A L SECTION 1 OF 2 TEHRAN 1305

E.O. 11652: GDS

TAGS: ENRG, IR

SUBJ: REPORTING FOR WORK OF CIEC COMMISSIONS

REFS: (A) STATE 021456, (B) STATE 020560, (C) 75 TEHRAN 12280,
(D) 75 TEHRAN 0390, (E) 75 TEHRAN 5514, (F) 75 TEHRAN 5400,
(G) 75 TEHRAN 5113, (H) 75 TEHRAN 3572, (I) 75 TEHRAN 2977,
(J) 75 TEHRAN 1357

1. SUMMARY: GOI ON ENERGY COMMISSION WILL REFUSE TO ACCEPT ANY ANALYSIS THAT PLACES EXCLUSIVE OR MAJOR BLAME FOR DC OR LDC ECONOMIC TROBLES ON OIL PRICES, WILL PUSH FOR ARRANGEMENT WHICH MAINTAINS PARITY OF OIL PRICE WITH INDUSTRIAL AND AGRICULTURAL PRODUCTS (AND WILL JOIN OPEC IN IMPOSING SUCH A SCHEME UNILATERALLY IF DC'S WILL NOT NEGOTIATE), AND WILL IN PRINCIPLE SUPPORT LONG-TERM COOPERATION IN ENERGY THOUGH CONCRETE COOPERATION WILL BE LIMITED BY CASH SHORTAGE. FUNDAMENTALLY IRAN BELIEVES ITS CURRENT OIL EXPORT PROBLEM IS SHORT-TERM AND THAT OPEC STILL HAS LONG-TERM NEGOTIATING STRENGTH. IRAN WOULD SEEM TO HAVE FEW STRONG INTERESTS OF ITS OWN IN FINANCIAL COMMISSION, CONFIDENTIAL

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BUT WILL TO LARGE EXTENT SUPPORT POSITIONS OF LDC'S AND OF ITS OPEC PARTNERS. END SUMMARY

2. ENERGY COMMISSION: GOI'S BASIC VIEWS ON OIL PRICES AND THEIR

RELATION TO THE WORLD ECONOMY HAVE NOT CHANGED IN LAST TWO YEARS, THOUGH THEY HAVE PERHAPS ADAPTED SOMEWHAT TO CHANGING CIRCUMSTANCES. GOI WILL REJECT FLATLY AND TALK OF LOWERING OIL PRICES AT PRESENT(BUT WOULD ACCEPT, HOWEVER RELUCTANTLY, AN INDEX-INDUCED REDUCTION IN FUTURE), WILL BE INTERESTED IN PRINCIPLE IN COOPERATION TO DEVELOP NEW ENERGY SUPPLIES AND TO USE ENERGY MORE EFFICIENTLY(BUT WILL WAIT TO SEE SPECIFIC PROPOSALS), AND WILL CONTINUE TO FAVOR INDEXATION OF OIL PRICES(EITHER AGREED WITH CONSUMERS OR UNILATERALLY IMPOSED BY OPEC). FOLLOWING KEYED TO EIGHT POINTS IN PARA 4 REFTEL (STATE 021456).

(A) GOI WILL ARGUE THAT IMPACT OF OIL PRICES(they will REJECT THE ADJECTIVE "HIH") ON THE WORLD ECONOMY HAS BEEN, ON THE WHOLE, SALUBRIOUS: THAT OIL PRICE INCREASES HAVE ONLY CONTRIBUTED 2-2.5 PERCENTAGE POINTS TO INFLATION IN DC'S; THAT INCREASES MADE THE WORLD CONSCIOUS OF THE URGENT NEED TO CONSERVE ENERGY AND DEVELOP NEW ENERGY SOURCES; THAT THEY REPRESENT AN ACHIEVEMENT OF "JUSTICE" BEISOPEC NATIONS(WHICH TO SOME DEGREE CAN BE IMITED, WITH OPEC'S GUIDANCE, BY SOME OTHER LDC'S), AND THAT IRAN AND OTHERS HAVE BEEN GENERAOUS, WITHIN THEIR CAPABILITIES, IN OFFSETTING IMPACT ON LDC'S THROUGH AID (THOUGH IRAN WILL ARGUE THAT IT NOW NEEDS ALMOST ALL ITS MONEY FOR INTERNAL DEVELOPMENT).

(B) GOI WILL USE EVERY MEANS IT CAN FIND, INCLUDING LDC HOPES OF GETTING HELP FROM NEW OPEC FUND OR OTHER OPEC SOURCES, TP PREVENT LDC'S FROM JOINING WITH DC'S IN ANY ANALYSIS THAT WOULD TEND TO SHOW THAT OPEC'S "ACHIEVEMENT OF ECONOMIC JUSTICE" HAS HARMED LDC'S. THEY WILL ARGUE THAT LDC'S HAVE SUFFERED MORE FROM INCREASED PRICES OF DC EXPORTS THAN FROM OIL PRICE RISES, WHILE DC'S HAVE DONE LESS THAN OPEC IN OFFSETTING EFFECTS OF SUCH PRICE INCREASES. THEY MIGHT BE INDUCED TO ACCEPT A COUNTRY-BY-COUNTRY ANALYSIS SHOWING THAT SOME COUNTRIES HAVE SUFFERED DAMAGE FROM OIL PRICES THAT HAS NOT BEEN FULLY OFFSET BY OPEC AID, IF IT ALSO SHOWS THAT OTHERS HAVE SUMILARLY SUFFERED FROM PRICE INCREASES OF DC GOODS WITHOUT FULL OFFSETTING AID FROM DC'S--IN OTHER WORDS AN ANALYSIS THAT
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IDENTIFIES SPECIFIC PROBLEM COUNTRIES AND DISTRIBUTES THE "BLAME" IN WHAT THEY WOULD CONSIDER AN "EVENHANDED" WAY.

(C) HAVING CRITICIZED AND REJECTED THE USE OF OIL EMBARGO AS A POLITICAL EWAPON AND HAVING STATED ITS BELIEF THAT OPEC SHOULD MAKE AVAILABLE AS MUCH OIL AS CONSUMERS "NEED," GOI UNLIKELY TO HAVE ANY DIFFICULTY WITH IDEA OF GUARANTEEING SECURITY OF SUPPLY TO CONSUMERS. GIVEN GOI'S RECENT PROBLEMS WITH DECREASED EXPORTS AND REVNUUE AND ITS APPARENT FEARS OF BEING FORCED BY DECLINING REVENUES TO CURTAIL DEVELOPMENT PROGRAMS, GOI MAY SHOW MORE ACTIVE INTEREST IN "SECURE" MARKETS THAN IN PAST. ANY PROPOSAL THAT WOULD OFFER POSSIBILITY OF INCREASED EXPORTS AT "OPEC MARKET PRICES" LIKELY TO INTRIGUE GOI. GOI'S MAJOR FELT

NEED AT PRESENT IS FOR OIL REVENUES TO BE STABILIZED AT HIGHER LEVEL. EMBASSY WOULD EMPHASIZE, HOWEVER, GOI'S BELIEF THAT ITS PRESENT PROBLEMS ARE SHORT-TERM, AND THAT IN A YEAR OR SO OIL MARKET WILL NEED ALL OR MOST OF IRAN'S DECLINING EXPORT AVAILABILITIES.

(D) IN PRINCIPLE, GOI ATTACHES CONSIDERABLE IMPORTANCE TO LONG-TERM COOPERATION ON ENERGY ISSUES, AS WITNESS ITS INVESTMENTS IN URANIUM ENRICHMENT PROJECTS IN EUROPE AND ITS PLANS TO BUILD NUCLEAR POWER PLANTS IN IRAN. IT IS INTRIGUED BY IDEA OF "TRADING CONVENTIONAL ENERGY NOW FOR PARTICIPATION IN NEW ENERGY FORMS OF THE FUTURE;" THUS NIOC DEPUTY MANAGING DIRECTOR REZA FALLAH'S UNOFFICIAL SPEECHES IN RECENT MONTHS IN EUROPE AND US ON IDEA OF AN "ENERGY BANK," THROUGH WHICH DC'S WOULD PAY PART OF CURRENT OIL BILL IN A KIND OF INTEREST-BEARING LONG-TERM BONDS DENOMINATED IN ENERGY UNITS. SINCE IRAN NOW SEES ITSELF IN A CASH SQUEEZE, HOWEVER, GOI WILL FEEL IT HAS LIMITED ABILITY TO CONTRIBUTE CASH TO LONG-TERM COOPERATION PROJECTS, UNLESS INDIVIDUAL PROJECTS OF THIS SORT APPEAR PARTICULARLY ATTRACTIVE. GOI HAS SHOWN INTEREST IN BOTH SOLAR AND GEOTHERMAL ENERGY. REPORTEDLY, \$44 MILLION HAVE BEEN COMMITTED TO SOLAR ENERGY R&D OVER THE NEXT SEVEN YEARS. NO SIMILAR COMMITMENT TO GEOTHERMAL ENERGY HAS BEEN ANNOUNCED, BUT GOI MIGHT BE INTERESTED IN INVESTING IN PROMISING R&D PROJECTS IN ORDER TO ACQUIRE TECHNOLOGY.

(E) GOI'S DECLARED POLICY OF USING ITS INVESTMENT ABROAD TO ACQUIRE TECHNOLOGY (E.G., KRUPP), ITS EMPHASIS ON ATTRACTING HIGH-TECHNOLOGY INVESTORS TO FORM JOINT VENTURES IN IRAN, THE RAPIDLY GROWING NUMBER OF WESTERN EXPATRIATE PERSONNEL IN IRAN, AND THE LARGE NUMBER OF CONTRACTS AWARDED TO US AND OTHER WESTERN CONFIDENTIAL

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ENGINEERING CONTRACTORS ELOQUENTLY ATTEST THE IMPORTANCE GOI ATTACHES TO ACQUISITION OF WESTERN TECHNOLOGY. GOI'S CASH SQUEEZE WILL DOUBTLESS MAKE IT ESPECIALLY SUPPORTIVE OF ANY LDC COMPLAINTS ABOUT THE COST OF ACQUIRING THIS TECHNOLOGY OR LDC DEMANDS THAT TECHNOLOGY BE MADE AVAILABLE ON EASIER TERMS AT LOWER PRICES. EMBASSY UNABLE TO BE MORE SPECIFIC ON THIS POINT DUE LACK OF INFORMATION ON WHAT USG GOALS AND PROPOSALS WILL BE IN AREA OF "TRANSFER OF WESTERN TECHNOLOGY TO ASSIST IN DEVELOPMENT" OF LDC ENERGY RESOURCES. NIOC PARTICULARLY INTERESTED IN JOINT VENTURES WITH WESTERN FIRMS FOR LNG DEVELOPMENT.

(F) IRAN WILL FAVOR DC OFFERS TO ASSIST IN EXPLORATION AND DEVELOPMENT OF ENERGY RESOURCES. GOI'S RECENT PRACTICE HAS BEEN TO PURCHASE SERVICES UNDER CONTRACT NOT ONLY FOR "EXPLORATION AND DEVELOPMENT OF THEIR ENERGY RESOURCES," BUT FOR OTHER BASIC RESOURCES AS WELL. THUS NIOC CONCLUDED SIX SERVICE CONTRACTS FOR OIL EXPLORATION AND DEVELOPMENT IN 1974, HAS AWARDED TURNKEY SERVICE CONTRACTS FOR DEVELOPMENT OF A COPPER MINE (TO RAPP M. PARSONS AND ANACONDA) AND FOR FOREST RESOURCES (TO A CANADIAN SUBSIDIARY OF ISC CORPORATION OF THE US). ALL INDICATIONS ARE THAT IT WILL APPLY SAME PRINCIPLE TO EXPLOR-

ATION FOR URANIUM AND DEVELOPMENT OF OTHER NONCONVENTIONAL ENERGY SOURCES.

(G) GOI MAY HAVE SOME INTEREST IN PRINCIPLE IN "INTER-NATIONAL ENERGY INSTITUTE" CONCEPT, BUT MAY PLEAD IRAN DOES NOT HAVE SUFFICIENT CASH AVAILABLE TO CONTRIBUTE LARGE AMOUNT OF FINANCING TO SUCH AN ORGANIZATION.
HELMS

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